

# Appendix 4D

## Half Year Report

for the half year ended 30 June 2020

### Results for announcement to the market

All comparisons for the half year ended 30 June 2019  
(unless specified for 31 December 2019)

Future Generation  
Investment Company Limited  
ABN 97 063 935 553

	UP/DOWN	% MVMPT	\$'000
<b>Revenue from operating activities</b>	down	36.9%	13,865
<b>Profit from ordinary activities before tax</b>	down	41.6%	11,302
<b>Net profit from ordinary activities after tax</b>	down	36.9%	9,835
<b>Total comprehensive profit/(loss) for the period</b>	down	159.9%	(24,869)

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2020 interim dividend cents per share	2.6	2.6	30%
2019 final dividend cents per share	2.6	2.6	30%

### Dividend dates

Ex-dividend date	19 October 2020
Record date	20 October 2020
Last election date for DRP	22 October 2020
Payment date	30 October 2020

### Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) is in operation and the recommended fully franked interim dividend of 2.6 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be calculated as the VWAP (volume weighted average market price) of shares sold on the ASX (on an ex-dividend basis) four trading days from the ex-dividend date, inclusive of the ex-dividend date. The DRP will operate without a discount for the 2020 interim dividend.

Net Tangible Assets (NTA)	30 JUN 2020	31 DEC 2019
NTA (after tax) per share	<b>\$1.15</b>	<b>\$1.24</b>

Future Generation  
Investment Company Limited

# Financial Report

For the half year  
ended 30 June 2020

ABN: 97 063 935 553



Future  
Generation  
Australia

INVESTMENT & SOCIAL RETURNS

# Future Generation Investment Company Limited

**The Company's primary investment objectives are to provide shareholders with a stream of fully franked dividends, achieve long-term capital growth and preserve shareholder capital.**

## Chairman

Jonathan Trollip

## Directors

Caroline Gurney  
Stephanie Lai  
David Leeton  
David Paradise AO  
Gabriel Radzyninski  
Kate Thorley  
Geoff Wilson AO

## Company Secretary

Mark Licciardo

## Investment Committee

Geoff Wilson AO (Chair)  
John Coombe  
Matthew Kidman  
Gabriel Radzyninski  
David Smythe  
Bruce Tomlinson

## Chief Executive Officer

Louise Walsh

## Auditor

Pitcher Partners

## Country of Incorporation

Australia

## Registered Office

Level 26, Governor Phillip Tower,  
1 Farrer Place, Sydney NSW 2000

## Contact Details

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Sydney NSW 2001

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F: (02) 9247 6855

E: [info@futuregeninvest.com.au](mailto:info@futuregeninvest.com.au)

W: [futuregeninvest.com.au](http://futuregeninvest.com.au)

## Australian Securities Exchange

Future Generation Investment  
Company Ordinary Shares (FGX)

## Share Registry

Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000

T: (02) 9290 9600

F: (02) 9279 0664

For enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan and Dividend Donation Plan) and related matters, please contact the share registry.

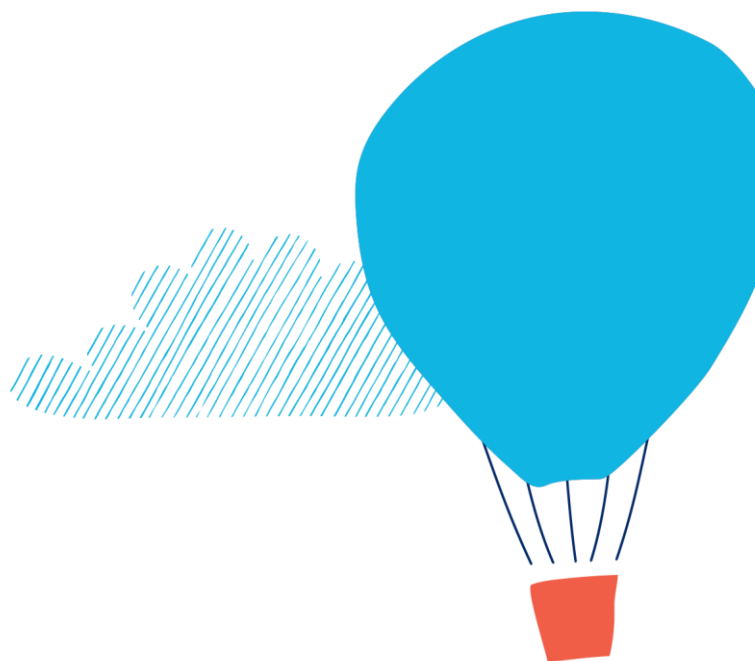
## Virtual Investment Forum October 2020



**Due to the coronavirus, our Investment Forum will be hosted online**

[futuregeninvest.com.au/virtualforum](http://futuregeninvest.com.au/virtualforum)

Virtual  
Investment  
Forum



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# Director's Report to Shareholders

For the half year ended 30 June 2020

The Directors present their report together with the financial report of Future Generation Investment Company Limited (Future Generation Australia or the Company) for the half year ended 30 June 2020.

## Directors

The following persons were Directors of the Company during the financial period and up to the date of this report:

- Jonathan Trollip, Chairman
- Caroline Gurney, Non-Executive Director
- Stephanie Lai, Non-Executive Director
- David Leeton, Non-Executive Director
- David Paradice AO, Non-Executive Director
- Gabriel Radzynski, Non-Executive Director
- Kate Thorley, Non-Executive Director
- Geoff Wilson AO, Non-Executive Director

## Principal activity

The principal activity of the Company is to invest in funds managed by a number of prominent Australian equity fund managers with a focus on long-only, long/short and alternative investment strategies while also contributing to Australian children and youth at risk charities.

The Company invests its capital with fund managers who have agreed to provide their services for 0.0% management fees and 0.0% performance fees. The pro bono support of these fund managers, as well as the pro bono support of various service providers allows the Company to donate 1.0% of its average monthly net assets each year to Australian charities with a focus on children and youth at risk.

There was no change in the nature of the activity of the Company during the period and no change is likely in the future.

## Operating and financial review

The six months to 30 June 2020 saw the coronavirus pandemic dominating global equity markets, with the world adjusting to extensive containment measures implemented to combat the spread of the coronavirus. In hope of aiding the recovery across global markets, unprecedented responses from central banks and governments were seen around the world.

In Australia, the strong market rebound in the June quarter belied the economic impact of the coronavirus during this period, injecting liquidity into the financial system towards what appeared to be the end of lockdown containment measures. From April, actions were undertaken to slowly ease lockdown restrictions and re-open economies and while restrictions now continue to ease around the world, Victoria has re-entered lockdown following a recent spike in coronavirus cases. We remain cautious about the overall equity market outlook during this time of uncertainty and continue to work diligently with the Investment Committee to closely monitor the investment portfolio performance and the performance of the underlying fund managers.

For the six month period ended 30 June 2020, the Company reported an operating profit before tax of \$11.3 million (2019: \$19.3 million) and profit after tax of \$9.8 million (2019: \$15.6 million). The Company's operating profit for the period was impacted by the level of distribution income received from the investments with the underlying fund managers. The total comprehensive loss for the period was \$24.9 million (2019: total comprehensive income of \$41.5 million). The value of the portfolio decreased \$35.7 million in the six month period ended 30 June 2020 as the investment portfolio decreased 7.1%\* during a highly volatile period for equity markets. In the six months to 30 June 2019, the value of the portfolio increased \$59.0 million as the investment portfolio rose 13.6%\*.

\*Investment portfolio performance and index returns are before expenses, fees and taxes.

# Director's Report to Shareholders

For the half year ended 30 June 2020

## Operating and financial review (continued)

The operating profit and other comprehensive income for the period includes the distribution income received from underlying fund managers, offset by unrealised losses arising as a result of the changes in the fair value of the investments held with the underlying fund managers. The level of distribution income received and the movement in the fair value of the investments can add to or reduce operating profit and other comprehensive income in each period respectively. Because of this treatment under the Accounting Standards, this can cause large variations in reported operating profit and other comprehensive income between periods.

The operating profit and other comprehensive income is important to understand with context to the overall performance of equity markets in any given period. Given the potential variability, we believe the more appropriate measures of the financial results for the period are the investment portfolio performance, the change in net tangible assets (NTA) and fully franked dividends, together with total shareholder return (TSR).

In the six months to 30 June 2020, during this highly volatile period for equity markets, the investment portfolio achieved 3.3%\* outperformance against the S&P/ASX All Ordinaries Accumulation Index. The investment portfolio decreased 7.1%\*, while the S&P/ASX All Ordinaries Accumulation Index fell 10.4%. Since inception, the investment portfolio has increased 7.3%\* per annum, outperforming the S&P/ASX All Ordinaries Accumulation Index by 1.8%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 11.8% versus the Index's 14.8%.

Future Generation Australia's NTA before tax decreased 7.7% for the six months to 30 June 2020, adjusted for the 2.6 cents per share fully franked final dividend paid to shareholders during the period. As a percentage of NTA, the charitable investment accrual of 0.5% (1.0% per annum) and Company related expenses of 0.1% were the major items of difference between the investment portfolio performance decrease of 7.1% and the net tangible asset performance. Corporate tax payments of 0.03% also contributed to the change in value of the assets during the period. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends.

The NTA before tax as at 30 June 2020 was \$1.15 per share (December 2019: \$1.27). The NTA after tax was \$1.15 per share (December 2019: \$1.24). These figures are after the 2.6 cents per share fully franked final dividend paid to shareholders during the period.

TSR is a measure that shows the tangible return to shareholders, being the change in the share price together with dividends, assuming the dividends are reinvested during the period. The TSR for Future Generation Australia for the six month period to 30 June 2020 was impacted by the volatility in equity markets and the investment portfolio performance, as well as the increase in the share price discount to NTA. As at 30 June 2020, the share price discount to NTA was 17.2% (December 2019: 8.5%), with TSR of -16.1% in the period. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

At the date of this report, the investment portfolio is made up of 20 fund managers with investments in 24 unlisted unit trusts.

The Future Generation Australia investment portfolio has been structured to provide diversification between three broad equity strategies: long equities, absolute bias and market neutral, with the remainder held in cash. As at 30 June 2020, the portfolio was 47.6% long equities, 32.7% absolute bias, 12.2% market neutral and 7.5% cash.

The Company will pay its sixth annual investment in October 2020. The charitable investment of \$4.8 million will be made in Australian charities with a focus on children and youth at risk, bringing the total investment since inception to \$21.4 million.

\*Investment portfolio performance and index returns are before expenses, fees and taxes.

# Director's Report to Shareholders

For the half year ended 30 June 2020

## Fund managers and service providers

Through their investment in Future Generation Australia, shareholders have unprecedented access to leading Australian fund managers and make a significant contribution to children and youth at risk in Australia. This is made possible by the fund managers forgoing management and performance fees. Most service providers, Directors, the Audit and Risk Committee and the Investment Committee also work on a pro bono basis.

We would like to thank the fund managers and service providers for their outstanding generosity throughout the period. This generosity has allowed the Company to support its designated charities and other not for profit organisations. The value of the fund managers' forgone management and performance fees for the half year period ended 30 June 2020 totalled \$2.1 million (June 2019: \$2.8 million) and the estimated value of the service providers working for the Company on a pro bono basis totalled \$0.5 million (June 2019: \$0.4 million). Currently we estimate the value of this pro bono support to be approximately \$5.2 million per annum, and at 1.1% of the net assets of the Company, these savings to shareholders exceed the annual investment in charities.

## Charity update

Since the coronavirus pandemic began, our charity partners have demonstrated resilience and adaptability to continue and increase their support for young people across Australia. Partners with community-facing roles are experiencing surges in demand and increased levels of distress from young people and their carers. Many of our charity partners have rapidly transitioned to online delivery via video conferencing, webinars and digital events. Training, counselling, case work and group events are now being delivered remotely. Our partners are using this opportunity to expand their offering to more young people in rural, regional, remote and interstate locations, who would previously have been out of reach.

Support for our charity partners during this period of uncertainty is crucial as further job losses and economic downturn are set to disproportionately affect young people, with existing vulnerabilities and disadvantages expected to compound in the months and years to come. The work of our charity partners is now more important than ever and we commend their commitment as they navigate these uncertain times.

## After balance sheet date events

Since the end of the period, the Company has declared a fully franked interim dividend of 2.6 cents per share to be paid on 30 October 2020.

No other matters or circumstances have occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

## Rounding of amounts

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar, unless otherwise indicated.

## Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* in relation to the review for the half year is set out on page 4 of the financial report.

Signed in accordance with a resolution of the Board of Directors.



**Jonathan Trollip**

Chairman

Dated in Sydney this 27<sup>th</sup> day of August 2020

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**Auditor's Independence Declaration**  
**To the Directors of Future Generation Investment Company Limited**  
**ABN 97 063 935 553**

In relation to the independent auditor's review of Future Generation Investment Company Limited for the half-year ended 30 June 2020, I declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



**S S WALLACE**  
Partner

**PITCHER PARTNERS**  
Sydney

27 August 2020



# Statement of Comprehensive Income

For the half year ended 30 June 2020

	NOTE	JUNE 2020 \$'000	JUNE 2019 \$'000
<b>Investment income from operating activities</b>			
Distributions received		12,366	19,698
Investment management and performance fee rebates	2	1,295	1,891
Interest income		204	395
		<b>13,865</b>	<b>21,984</b>
<b>Expenses</b>			
ASX listing fees		-	-
Share registry maintenance costs		-	-
Directors' fees		-	-
Accounting fees		-	-
Charity investment accrual	3	(2,286)	(2,355)
Share registry transaction costs		(46)	(41)
Executive remuneration		(77)	(55)
Other expenses		(56)	(110)
ASIC industry funding levy		(39)	(35)
Audit fees		(39)	(28)
ASX CHESS fees		(15)	(13)
Amortisation expense		(2)	(2)
Tax fees		(3)	(5)
		<b>(2,563)</b>	<b>(2,644)</b>
<b>Profit before income tax</b>		<b>11,302</b>	<b>19,340</b>
Income tax expense		(1,467)	(3,744)
<b>Profit after income tax for the period attributable to members</b>		<b>9,835</b>	<b>15,596</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Net unrealised and realised (losses)/gains on investments taken to equity, net of tax		(34,704)	25,911
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(34,704)</b>	<b>25,911</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(24,869)</b>	<b>41,507</b>
<b>Basic and diluted earnings per share</b>		<b>2.47 cents</b>	<b>3.93 cents</b>

The accompanying notes form part of these half year financial statements.

# Statement of Financial Position

As at 30 June 2020

	NOTE	JUNE 2020 \$'000	DECEMBER 2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		33,966	43,284
Trade and other receivables		13,116	3,872
<b>Total current assets</b>		<b>47,082</b>	<b>47,156</b>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income	7	416,670	461,917
Deferred tax assets		4,412	1,521
Intangible assets		-	2
<b>Total non-current assets</b>		<b>421,082</b>	<b>463,440</b>
<b>Total assets</b>		<b>468,164</b>	<b>510,596</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		144	113
Charity investment accrual	3	4,831	2,545
Current tax liabilities		2,695	623
<b>Total current liabilities</b>		<b>7,670</b>	<b>3,281</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		-	12,689
<b>Total non-current liabilities</b>		<b>-</b>	<b>12,689</b>
<b>Total liabilities</b>		<b>7,670</b>	<b>15,970</b>
<b>Net assets</b>		<b>460,494</b>	<b>494,626</b>
<b>Equity</b>			
Issued capital	5(a)	440,290	439,199
Investment reserves	6(a)	(10,333)	24,371
Profits reserve	6(a)	34,318	34,837
Accumulated losses	6(b)	(3,781)	(3,781)
<b>Total equity</b>		<b>460,494</b>	<b>494,626</b>

The accompanying notes form part of these half year financial statements.

# Statement of Changes in Equity

For the half year ended 30 June 2020

	NOTE	ISSUED CAPITAL \$'000	INVESTMENT RESERVES \$'000	PROFITS RESERVE \$'000	ACCUMULATED LOSSES \$'000	TOTAL EQUITY \$'000
<b>Balance at 1 January 2019</b>		437,037	(16,545)	31,058	(3,781)	447,769
Net profit for the period		-	-	-	15,596	15,596
Transfer to profits reserve	6(a)	-	-	15,596	(15,596)	-
Other comprehensive income, net of tax		-	25,911	-	-	25,911
<b>Transactions with owners:</b>						
Shares issued via Dividend Reinvestment Plan		1,095	-	-	-	1,095
Share issue costs (net of tax)		(7)				(7)
Dividends paid	4	-	-	(9,119)	-	(9,119)
<b>Balance at 30 June 2019</b>		<b>438,125</b>	<b>9,366</b>	<b>37,535</b>	<b>(3,781)</b>	<b>481,245</b>
<b>Balance at 1 January 2020</b>		439,199	24,371	34,837	(3,781)	494,626
Net profit for the period		-	-	-	9,835	9,835
Transfer to profits reserve	6(a)	-	-	9,835	(9,835)	-
Other comprehensive income, net of tax		-	(34,704)	-	-	(34,704)
<b>Transactions with owners:</b>						
Shares issued via Dividend Reinvestment Plan		1,091	-	-	-	1,091
Dividends paid	4	-	-	(10,354)	-	(10,354)
<b>Balance at 30 June 2020</b>		<b>440,290</b>	<b>(10,333)</b>	<b>34,318</b>	<b>(3,781)</b>	<b>460,494</b>

The accompanying notes form part of these half year financial statements.

# Statement of Cash Flows

For the half year ended 30 June 2020

	NOTE	JUNE 2020 \$'000	JUNE 2019 \$'000
<b>Cash flows from operating activities</b>			
Interest received		322	400
Rebate income received		46	47
Income tax paid		(167)	(145)
Payments for other expenses		(256)	(361)
<b>Net cash used in operating activities</b>		<b>(55)</b>	<b>(59)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of financial assets		-	21,755
Payments for financial assets		-	(5,000)
<b>Net cash provided by investing activities</b>		<b>-</b>	<b>16,755</b>
<b>Cash flows from financing activities</b>			
Dividends paid to the Company's shareholders, (net of Dividend Reinvestment Plan and Dividend Donation Plan)		(9,263)	(7,950)
Cost of raising capital (gross of tax)		-	(10)
<b>Net cash used in financing activities</b>		<b>(9,263)</b>	<b>(7,960)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(9,318)</b>	<b>8,736</b>
Cash and cash equivalents at the beginning of the period		43,284	47,265
<b>Cash and cash equivalents at the end of the period</b>		<b>33,966</b>	<b>56,001</b>
<b>Non-cash investing and financing activities</b>			
Distributions and rebate income reinvested		4,264	5,579
Shares issued via Dividend Reinvestment Plan		1,091	1,095

The accompanying notes form part of these half year financial statements.

# Notes to the Financial Statements

For the half year ended 30 June 2020

## 1. Summary of significant accounting policies

These interim financial statements and notes for the half year represent those of Future Generation Investment Company Limited (Future Generation Australia or the Company).

The half year financial report was authorised for issue on 27 August 2020 by the Board of Directors.

### Basis of preparation

These interim financial statements for the half year reporting period ended 30 June 2020 are general purpose financial statements and have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The interim financial statements of the Company also comply with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Financial Report for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Except for cashflow information, the interim financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

In accordance with ASIC Corporations (rounding in financial reports) Instrument 2016/191, the amounts in the financial report have been rounded to the nearest thousand dollar, or in certain cases, the nearest dollar, unless otherwise stated.

There are no new and revised accounting requirements significantly affecting the half year financial statements. The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 31 December 2019 Annual Financial Report.

## 2. Investment income from ordinary activities

As at 30 June 2020, the investment portfolio was made up of 20 fund managers with investments in 24 unlisted unit trusts.

Where available, the Company has invested in unit classes that have zero management and performance fees. The unit trusts with a zero fee unit class are the Bennelong Long Short Equity Fund, LHC Capital Australia High Conviction Fund, Vinva Australian Equities Fund, L1 Capital Australian Equities Fund, QVG Opportunities Fund, Firetrail Absolute Return Fund and the Firetrail Australian High Conviction Fund.

The aggregated value of management and performance fees forgone by the unit trusts with a zero fee unit class for the six months ended 30 June 2020 was \$0.8 million (June 2019: \$0.9 million).

The remaining investments are made in unit trusts with fund managers that normally charge management and performance fees. These fund managers have rebated the fees charged. The aggregate value of management and performance fees rebated to the Company was \$1.3 million for the six months ended 30 June 2020 (June 2019: \$1.9 million).

The estimated value of the other pro bono services provided to the Company for the six months ended 30 June 2020, including the Board and Investment Committee working on a pro bono basis, totalled \$0.5 million (June 2019: \$0.4 million).

# Notes to the Financial Statements

For the half year ended 30 June 2020

## 3. Charity investment

The Company invests a percentage of its assets in Australian charities with a focus on children and youth at risk under the terms outlined in the Prospectus dated 7 July 2014. The charitable investment is accrued monthly and is equal to 1.0% of the Company's average monthly net assets. All investments are made to charities with deductible gift recipient (DGR) status. The investment represents a tax deduction for the Company.

For the six months ended 30 June 2020, the amount recognised in the Statement of Comprehensive Income was \$2.3 million (June 2019: \$2.4 million).

As at 30 June 2020, the 12 month accrued commitment is \$4.8 million (June 2019: \$4.6 million). The Company will pay its sixth annual investment in October 2020. The charitable investment of \$4.8 million will be made in Australian charities focused on children and youth at risk, bringing the total investment since inception to \$21.4 million. The specific allocation to each charity will be determined by shareholder votes and directions, with the Board distributing undirected monies between the designated charities.

## 4. Dividends

### a) Ordinary dividends paid during the period

	<b>JUNE 2020 \$'000</b>	<b>JUNE 2019 \$'000</b>
2019 Final dividend: 2.6 cents per share fully franked at 30% paid 28 April 2020 (2018 Final dividend: 2.3 cents per share fully franked at 30% paid 26 April 2019)	10,354	9,119

### b) Dividends not recognised during the period

	<b>JUNE 2020 \$'000</b>	<b>JUNE 2019 \$'000</b>
Since the end of the half year, the Directors have declared a fully franked interim dividend of 2.6 cents per share payable on 30 October 2020 (2019 Interim dividend: 2.4 cents per share fully franked)	10,385	9,535

## 5. Issued capital

### a) Paid-up capital

	<b>JUNE 2020 \$'000</b>	<b>DECEMBER 2019 \$'000</b>
399,421,517 ordinary shares fully paid (December 2019: 398,238,435)	440,290	439,199

# Notes to the Financial Statements

For the half year ended 30 June 2020

## 5. Issued capital (continued)

### b) Movements in ordinary share capital

	<b>JUNE 2020 \$'000</b>	<b>DECEMBER 2019 \$'000</b>
Balance at the beginning of the period	439,199	437,037
1,183,082 shares issued on 28 April 2020 under a Dividend Reinvestment Plan	1,091	-
946,964 shares issued on 26 April 2019 under a Dividend Reinvestment Plan	-	1,095
942,946 shares issued on 25 October 2019 under a Dividend Reinvestment Plan	-	1,074
Cost of raising capital (net of tax)	-	(7)
<b>At reporting date</b>	<b>440,290</b>	<b>439,199</b>

## 6. Reserves and accumulated losses

### a) Reserves

	<b>JUNE 2020 \$'000</b>	<b>DECEMBER 2019 \$'000</b>
<b>Reserves</b>		
Investment portfolio revaluation reserve	(9,159)	25,545
Investment portfolio realised gains/(losses) reserve	(1,174)	(1,174)
Profits reserve	34,318	34,837

The profits reserve is made up of amounts transferred from current period profits which are preserved for future dividend payments. The investment portfolio revaluation reserve is used to record increments and decrements on the revaluation of the equity investments at fair value through other comprehensive income, net of potential tax. Gains or losses arising on the disposal of financial assets are recorded in the investment portfolio realised gains/losses reserve and are designated on revenue or capital account for taxation purposes respectively.

# Notes to the Financial Statements

For the half year ended 30 June 2020

## 6. Reserves and accumulated losses (continued)

MOVEMENTS:

	JUNE 2020 \$'000	DECEMBER 2019 \$'000
<b>Investment portfolio revaluation reserve</b>		
Opening balance	25,545	(18,416)
Unrealised (losses)/gains on investments	(49,511)	62,801
Income tax benefit/(expense) on unrealised (losses)/gains on investments	14,807	(18,840)
<b>At reporting date</b>	<b>(9,159)</b>	<b>25,545</b>

### Investment portfolio realised gains/(losses) reserve

Opening balance	(1,174)	1,871
Realised losses on investments	-	(4,350)
Income tax benefit on realised losses on investments	-	1,305
<b>At reporting date</b>	<b>(1,174)</b>	<b>(1,174)</b>

### Profits reserve

Opening balance	34,837	31,058
Transfer from retained earnings	9,835	22,432
Final dividend paid (refer Note 4(a))	(10,354)	(9,118)
Interim dividend paid	-	(9,535)
<b>At reporting date</b>	<b>34,318</b>	<b>34,837</b>

## b) Accumulated losses

	JUNE 2020 \$'000	DECEMBER 2019 \$'000
<b>Accumulated losses</b>		
Opening balance	(3,781)	(3,781)
Net profit for the period	9,835	22,432
Transfer to profits reserve	(9,835)	(22,432)
<b>At reporting date</b>	<b>(3,781)</b>	<b>(3,781)</b>



# Notes to the Financial Statements

For the half year ended 30 June 2020

## 7. Fair value measurements

The Company measures and recognises financial assets at fair value through other comprehensive income (FVTOCI) on a recurring basis. The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

### Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### I) RECOGNISED FAIR VALUE MEASUREMENTS

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2020 on a recurring basis:

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
<b>At 30 June 2020</b>				
Financial assets at FVTOCI	-	416,670	-	416,670
<b>At 31 December 2019</b>				
Financial assets at FVTOCI	-	461,917	-	461,917

There were no transfers between levels for recurring fair value measurements during the period (December 2019: nil).

### II) DISCLOSED FAIR VALUES

For all financial instruments other than those measured at fair value, their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature.

### III) VALUATION TECHNIQUES USED TO DETERMINE FAIR VALUES

#### *Recurring fair value measurements*

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Board of Directors value the Company's investments in unlisted unit trusts using the unit prices derived from the unaudited net asset backing of the unlisted unit trusts managed by prominent Australian equity fund managers at the end of the period. The unlisted unit trusts are subject to an annual audit.

## 8. Segment information

The Company is engaged in investing activities including cash, term deposits and investments in underlying funds managed by prominent Australian equity fund managers. It has no reportable business or geographical segment.

# Notes to the Financial Statements

For the half year ended 30 June 2020

## 9. Contingencies

There were no contingent liabilities for the Company at 30 June 2020 (December 2019: nil).

## 10. Commitments

The Company invests a percentage of its assets in Australian charities with a focus on children and youth at risk, under the terms outlined in the Prospectus dated 7 July 2014. The investment is accrued monthly and is expected to be equal to 1.0% per annum of the Company's average monthly net assets. As at 30 June 2020, the 12 month accrued commitment is \$4.8 million (December 2019: \$2.5 million).

The Company will pay its sixth annual investment in October 2020. The charitable investment of \$4.8 million will be made in Australian charities focused on children and youth at risk, bringing the total investment since inception to \$21.4 million. The specific allocation to each charity will be determined by shareholder votes and directions, with the Board distributing undirected monies between the designated charities.

## 11. Events occurring after the reporting period

Since the end of the period, the Company declared a fully franked interim dividend of 2.6 cents per share to be paid on 30 October 2020.

No other matters or circumstances have arisen since the end of the period which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

# Directors' Declaration

The Directors of Future Generation Investment Company Limited declare that:

1. The half year financial report, as set out in pages 5 to 14, are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b) giving a true and fair view of the financial position of the Company as at 30 June 2020 and of its performance for the half year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

  
**Jonathan Trollip**  
Chairman

Dated in Sydney this 27<sup>th</sup> day of August 2020

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**Independent Auditor's Review Report  
to the Members of Future Generation Investment Company Limited  
ABN 97 063 935 553**

**Report on the Half Year Financial Report**

We have reviewed the accompanying half year financial report of Future Generation Investment Company Limited ("the Company"), which comprises the statement of financial position as at 30 June 2020, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration.

**Directors' Responsibility for the Half Year Financial Report**

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the Company's financial position as at 30 June 2020 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of Future Generation Investment Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half year financial report.

A review of the half year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

## **Conclusion**

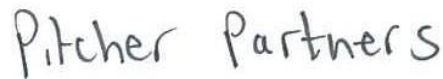
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Future Generation Investment Company Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



**S S Wallace**  
Partner

27 August 2020



**Pitcher Partners**  
Sydney

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